

Message Text

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42

ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 INRE-00 SSO-00 NSCE-00 USIE-00

CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05

PA-01 PRS-01 SP-02 SS-15 AID-05 COME-00 EB-07 FRB-03

XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 CEA-01

STR-04 IGA-02 ABF-01 PER-01 OPR-02 /089 W

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O 221930Z NOV 76 ZFF-6

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 8768

INFO TREASURY WASHDC IMMEDIATE

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E. O. 11652: N/A

TAGS: EFIN MX

SUBJECT: FOREIGN EXCHANGE MARKET OPERATION UNDER NEW SYSTEM.

REF: MEXICO 14779

1. FOLLOWING IS OUR PRELIMINARY UNDERSTANDING ON HOW THE FOREIGN EXCHANGE MARKET IS NOW OPERATING BASED ON CONVERSATIONS WITH BANKERS.

2. FOREIGN EXCHANGE TRANSACTIONS ARE BEING HANDLED BY BROKERAGE HOUSES(CASAS DE VALORES) OR REGISTERED STOCK EXCHANGE AGENTS (AGENTES DE BOLSA). AT LEAST SEVERAL LARGE BANKS(BANCO DE COMERCIO AND BANCO NACIONAL DE MEXICO) CONTROL BROKERAGE HOUSES. THE BRANCHES OF THESE BANKS ARE BUYING DOLLARS AND DOLLAR INSTRUMENTS AT RATES SLIGHTLY ABOVE 28 PESOS PER DOLLAR. OFFICERS OF BANCO DE COMERCIO HAVE AUTHORITY TO CONVERT UP TO \$500. WHILE THE TRANSACTION IS HANDLED THROUGH BANCO DE COMERCIO OFFICES, IT SHOWS UP ON THE BOOKS OF ITS BROKERAGE HOUSE.

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SALES OF DOLLARS ARE BEING MADE ON AN "AS AVAILABLE"

BASIS, AT A RATE ABOUT ONE PERCENT ABOVE THE DOLLAR
BUYING RATE.

3. WHILE THE BANK OF MEXICO COMMUNIQUE(REFTEL) REFERS
TO MONEY BROKERS(CORREDORES DE CAMBIO), WE UNDERSTAND
THAT ALL STOCK MARKET BROKERS (AGENTES DE BOLSA OR
CASAS DE VALORES) CAN PARTICIPATE IN THE MARKET.

4. WE UNDERSTAND THAT THERE HAVE NOT BEEN MANY
TRANSACTIONS THIS MORNING. CITIBANK IS HOLDING OFF
MAKING ANY TRANSACTIONS THOUGH THEY HAVE HEARD THAT
BANKS CAN IN FACT MAKE TRANSACTIONS AT OR NEAR THE
RATES BEING QUOTED BY BROKERS.

5. THE MEXICAN BANKERS WERE TO MEET WITH BANK OF
MEXICO AND TREASURY OFFICIALS THIS MORNING AT 11 A.M.
WE DO NOT YET KNOW THE OUTCOME. THERE IS CONSIDERABLE
CONFUSION AS TO HOW THE MARKET SHOULD OPERATE,
THIS BEING THE FIRST EXPERIENCE WITH A FLOATING RATE.
WE MAY HAVE TO MODIFY ABOVE DESCRIPTION UPON RECEIPT
OF NEW INFORMATION.

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